MY

generations
federal credit union

April 14, 2015

VIA EMAIL
Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA. 22314-3428

RE: Generations Community FCU Comments on Revised Proposed Rule – Risk-Based Capital (2nd Version)

Dear Mr. Poliquin:

This letter represents the views of Generations Community Federal Credit Union ("Generations") regarding the NCUA's revised proposal on Risk-Based Capital (RBC2). I appreciate the opportunity to comment on this very important issue.

First and foremost, credit unions are in the business of managing risk. To assist in mitigating risk, laws are passed, statutes are enacted and regulations are finalized, providing fence posts for each institution's risk appetite.

Throughout my 29 years in the financial industry, I believe the majority of regulations/laws enacted were reasonable and well intentioned. However, I have also seen a pattern of overreach during times of crisis in an attempt to solve very complex issues, followed by reduction in regulations when economic conditions improve.

The revised RBC proposal, although much improved from the original proposal, still appears to mimic this pattern. Credit unions must be allowed to manage risk within reasonable and acceptable parameters otherwise our industry will become irrelevant. Attempting to manage multiple risks within one regulation is often times burdensome at best and troublesome at worst, resulting in unintended consequences that commonly arise.

I do agree there is a need for a reasonable capital framework, but in my opinion, this proposal still remains too complex and is not needed based upon historical results of the credit union system, even during the most recent significant economic downturn. More specifically:

CUSO Investments
Improvements were noted regarding the risk rating for CUSO investments, however they still remain higher than banks. CUSO's provide many credit unions the ability to offer certain services to their members, primarily due to a lack of internal resources. This is especially true in the areas of mortgages, business loans, insurance and data processing.

Further, CUSO due diligence and servicing risk management is already managed via the Vendor Due Diligence regulations currently reviewed and examined. Accordingly, an additional requirement to single out CUSO risk is not necessary.

Capital Adequacy Requirement
My largest concern in the original proposal referenced the purely subjective caveat to increase an individual credit union's RBC requirement, which would have been nearly impossible to implement consistently across the many organizations and structures within the credit union industry. Although this requirement was removed in the most recent revision, there still remains a concern regarding a comprehensive written strategy to maintain "an appropriate level of capital."

Strategic planning, risk management and resulting capital adequacy oversight is the responsibility of management. Strategic plans are formulated based upon expected outcomes and scenario analysis. If results differ and require adjustment, management implements processes to course correct. Results are transparent each quarter with the submission of call reports, and can be managed with existing safety and soundness reviews. Thus, additional codified requirements to have a written strategy are not necessary.

Thank you again for the opportunity to comment on this very important proposed regulation. Should you have any questions regarding my comments or concerns, I am always available at 210-229-1800.

Sincerely,

Steve Schipull,
President and CEO